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EX PARTE OR LATE FILED

U S WEST

Glenn Brown  
Executive Director-  
Public Policy

January 31, 1997

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JAN 31 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street N.W., Room 222  
Washington, D.C. 20554

Re: CC Docket 96-45

Dear Mr. Caton:

Today, Alan Ciampocero of Pacific Telesis, Jim Stegman of INDETEC, Warren Hannah and Jim Sichter of Sprint, and Peter Copeland and the undersigned from U S WEST met with Bryan Clopton, Emily Hoffnar, David Krech, Bob Loube and Bill Sharkey of the Common Carrier Bureau Staff. The purpose of this meeting was to deliver and review the new Benchmark Cost Proxy Model (BCPM) developed and sponsored by Pacific Bell, Sprint and U S WEST. The attached handout was used in the presentation. Also attached to this letter is a copy of the BCPM on CD-ROM. Due to technical problems with the duplication of the CD-ROM, copies of the program will be sent to the Joint Board Commissioners and Staff (as well as to International Transcription Services) via overnight mail on Monday, February 3, 1997.

In accordance with Commissioner Rule 1.1206(a)(1), two copies of the letter are being filed with you for inclusion in the public record. Acknowledgment and date of receipt are requested. A copy of this transmittal letter is provided for this purpose. Please contact me if you have questions.

Sincerely,



cc: Joint Board Commissioners  
Joint Board Staff

No. of Copies rec'd  
List ABCDE

04

## Benchmark Cost Proxy Model Results

### Plant Summary Report

TEXAS

Total State

Investment: Capped<sup>1</sup>

Lines Above \$10K Loop Investment = 7,298

| Aggregate Support Data      | 0 to 10 |            | 11 to 50 |             | 51 to 150 |             | 151 to 500 |             | 501 to 2000 |             | 2001 to 5000 |             | > 5001 |            | Total |               |
|-----------------------------|---------|------------|----------|-------------|-----------|-------------|------------|-------------|-------------|-------------|--------------|-------------|--------|------------|-------|---------------|
| Support Over \$20 Benchmark | \$      | 88,351,231 | \$       | 257,662,007 | \$        | 190,833,702 | \$         | 208,345,428 | \$          | 424,612,472 | \$           | 264,104,311 | \$     | 29,909,157 | \$    | 1,463,818,301 |
| Support Over \$30 Benchmark | \$      | 79,618,410 | \$       | 202,235,302 | \$        | 122,707,260 | \$         | 90,934,806  | \$          | 59,594,554  | \$           | 17,487,873  | \$     | 93,033     | \$    | 572,671,200   |
| Support Over \$40 Benchmark | \$      | 70,885,588 | \$       | 147,652,297 | \$        | 62,570,430  | \$         | 14,786,410  | \$          | 500,747     | \$           | 57,591      | \$     | 27,920     | \$    | 296,480,900   |
| Support Over \$50 Benchmark | \$      | 62,183,116 | \$       | 95,926,571  | \$        | 18,306,804  | \$         | 471,337     | \$          | 66,090      | \$           | 21,358      | \$     | 24,217     | \$    | 176,999,400   |
| Support Over \$60 Benchmark | \$      | 53,525,736 | \$       | 50,545,876  | \$        | 2,026,705   | \$         | 87,547      | \$          | 16,880      | \$           | 16,625      | \$     | 20,514     | \$    | 106,239,800   |
| Support Over \$70 Benchmark | \$      | 44,879,797 | \$       | 22,548,029  | \$        | 220,822     | \$         | 24,199      | \$          | 3,028       | \$           | 14,773      | \$     | 16,811     | \$    | 67,707,400    |
| Support Over \$80 Benchmark | \$      | 36,364,029 | \$       | 9,310,433   | \$        | 99,539      | \$         | 780         | \$          | -           | \$           | 12,921      | \$     | 13,108     | \$    | 45,800,800    |

<sup>1</sup> CBGs with Average Loop Investment per line over \$10,000 are capped at \$10,000

<sup>2</sup> The Cap is applied to the total loop investment and includes feeder and distribution.

Assumptions:

SwbBase.csv

BCPM.XLS

Base Run with Swb Only, Default Values

# Benchmark Cost Proxy Model Results

## Armis Report Format

TEXAS

Total State

Investment: Capped<sup>1</sup>

Lines Above \$10K Loop Inv:

7,298

| Account Description                | Account Number | Large             |          | Total             |          |
|------------------------------------|----------------|-------------------|----------|-------------------|----------|
|                                    |                | Capped Investment | %        | Capped Investment | %        |
| <b>Plant In Service</b>            |                |                   |          |                   |          |
| Land & Support                     | 2110           | \$ 808,339,722    |          | \$ 808,339,722    |          |
| COE Switch                         | 2210           | \$ 2,245,383,327  |          | \$ 2,245,383,327  |          |
| COE Circuit                        | 2230           | \$ 2,080,699,427  |          | \$ 2,080,699,427  |          |
| Poles                              | 2411           | \$ 105,150,941    |          | \$ 105,150,941    |          |
| Aerial Cable                       | 2421           | \$ 151,950,951    | 2.83%    | \$ 151,950,951    | 2.83%    |
| Underground Cable                  | 2422           | \$ 1,819,710,423  | 33.86%   | \$ 1,819,710,423  | 33.86%   |
| Buried Cable                       | 2423           | \$ 3,402,317,469  | 63.31%   | \$ 3,402,317,469  | 63.31%   |
| Conduit                            | 2441           | \$ 1,724,531,696  |          | \$ 1,724,531,696  |          |
| <b>Total Plant in Service</b>      |                | \$ 12,338,083,956 |          | \$ 12,338,083,956 |          |
| <b>Plant Specific Expenses</b>     |                | <b>Amount</b>     | <b>%</b> | <b>Amount</b>     | <b>%</b> |
| Network Support                    | 6110           | \$ 17,527,017     | 0.78%    | \$ 17,527,017     | 0.78%    |
| General Support                    | 6120           | \$ 141,157,181    | 6.30%    | \$ 141,157,181    | 6.30%    |
| COE Switch                         | 6210           | \$ 39,994,535     | 1.78%    | \$ 39,994,535     | 1.78%    |
| Operator Systems                   | 6220           | \$ 1,058,679      | 0.05%    | \$ 1,058,679      | 0.05%    |
| COE Transmission                   | 6230           | \$ 27,172,757     | 1.21%    | \$ 27,172,757     | 1.21%    |
| Information IOT                    | 6310           | \$ 7,881,276      | 0.35%    | \$ 7,881,276      | 0.35%    |
| Cable & Wire                       | 6410           | \$ 324,543,885    | 14.48%   | \$ 324,543,885    | 14.48%   |
| <b>Plant Non-Specific Expenses</b> |                |                   |          |                   |          |
| Other PP&E                         | 6510           | \$ 3,528,930      | 0.16%    | \$ 3,528,930      | 0.16%    |
| Network Operations                 | 6530           | \$ 156,684,471    | 6.99%    | \$ 156,684,471    | 6.99%    |
| Depreciation/Amort                 | 6560           | \$ 906,270,208    | 40.45%   | \$ 906,270,208    | 40.45%   |
| Marketing                          | 6610           | \$ 41,641,368     | 1.86%    | \$ 41,641,368     | 1.86%    |
| Customer Opr Service               | 6620           | \$ 284,666,981    | 12.70%   | \$ 284,666,981    | 12.70%   |
| Executive & Planning               | 6710           | \$ 16,115,445     | 0.72%    | \$ 16,115,445     | 0.72%    |
| General & Administration           | 6720           | \$ 252,436,091    | 11.27%   | \$ 252,436,091    | 11.27%   |
| Prov Uncollectibles                | 6790           | \$ 19,997,267     | 0.89%    | \$ 19,997,267     | 0.89%    |
| <b>Total Operating Expense</b>     |                | \$ 2,240,676,089  |          | \$ 2,240,676,089  |          |
| <b>Operating Taxes</b>             |                |                   |          |                   |          |
| Federal and State                  | 7200           | \$ 502,875,811    |          | \$ 502,875,811    |          |
| Gross Receipts Tax                 | 7240           | \$ 148,649,827    |          | \$ 148,649,827    |          |
| <b>Total Tax</b>                   |                | \$ 651,525,639    |          | \$ 651,525,639    |          |
| <b>Return On Investment</b>        |                | \$ 919,332,304    |          | \$ 919,332,304    |          |

<sup>1</sup> CBGs with Average Loop Investment per line over \$10,000 are capped at \$10,000

### Assumptions:

SwbBase.csv

BCPM.XLS

Base Run with Swb Only, Default Values

# BCPM (V.1)

## BCPM Comparison to CPM and BCM2

|    | Item                                            | SWB Texas - Results |           |          |
|----|-------------------------------------------------|---------------------|-----------|----------|
|    |                                                 | CPM                 | BCM2      | BCPM     |
| 1  | <b>Investment</b>                               |                     |           |          |
| 2  | Total                                           | \$ 1,247            | \$ 954    | \$ 1,258 |
| 3  | Loop                                            | \$ 1,062            | \$ 845    | \$ 940   |
| 4  | Switch (& IOF for BCPM)                         | \$ 185              | \$ 109    | \$ 236   |
| 5  | Support Assets                                  |                     |           | \$ 82    |
| 6  |                                                 |                     |           |          |
|    |                                                 |                     |           |          |
| 7  | <b>Costs</b>                                    |                     |           |          |
| 8  | Total                                           | \$ 31.58            | \$ 27.26  | \$ 31.14 |
| 9  | Operating Expenses                              |                     | \$ 15.11  | \$ 11.34 |
| 10 | Capital Costs                                   |                     | \$ 12.15  | \$ 19.79 |
|    |                                                 |                     |           |          |
| 11 | <b>Corrections to BCM2 *</b>                    |                     |           |          |
| 12 | Correction of Double Discounting                |                     | \$ 1.50   |          |
| 13 | Addition of Uncollectibles                      |                     | \$ 0.20   |          |
| 14 | Correction of Switch Formula                    |                     | \$ 0.30   |          |
| 15 | Addition of General Support Assets              |                     | \$ 1.30   |          |
| 16 | Correction to Drop Costs                        |                     | \$ 1.00   |          |
| 17 | <b>Notable BCPM Changes *</b>                   |                     |           |          |
| 18 | Forward Looking Capital Costs                   |                     | \$ 2.86   |          |
| 19 | Forward Looking Operating Expenses              |                     | \$ (3.77) |          |
| 20 | Association to Closest Wire Center              |                     | \$ 0.50   |          |
| 21 | Inclusion of Multi-Unit Housing                 |                     | \$ (1.10) |          |
| 22 | Switch, OSP, other Data and Engineering Changes |                     | \$ 1.09   |          |
|    |                                                 |                     |           |          |
|    |                                                 |                     |           |          |

## Benchmark Cost Proxy Model Results

### Key Elements

#### TEXAS

#### Total State

| Analysis                    | Total            | Per Line |
|-----------------------------|------------------|----------|
| CBG Lines Served            | 9,802,582        |          |
| Average Distribution Length | 20,306,727,655   | 2,072    |
| Average Feeder Length       | 142,315,044,004  | 14,518   |
| Average Loop Length         | 162,621,771,658  | 16,590   |
| Distribution Investment     | \$ 6,203,648,174 | \$ 633   |
| Feeder Investment           | \$ 3,037,696,199 | \$ 310   |
| Loop Investment (Uncapped)  | \$ 9,241,344,372 | \$ 943   |
| Loop Investment (Capped)    | \$ 9,213,073,189 | \$ 940   |

| Plant Type                      | Capped Annual Investment | Percentage     | Annual Per Line Investment |
|---------------------------------|--------------------------|----------------|----------------------------|
| Motor Vehicle                   | \$ 85,170,523            | 0.69%          | \$ 8.69                    |
| Special Purpose Vehicle         | \$ 115,251               | 0.00%          | \$ 0.01                    |
| Garage Work                     | \$ 3,688,033             | 0.03%          | \$ 0.38                    |
| Other Work                      | \$ 72,262,406            | 0.59%          | \$ 7.37                    |
| Furniture                       | \$ 26,853,494            | 0.22%          | \$ 2.74                    |
| Office                          | \$ 80,790,983            | 0.66%          | \$ 8.24                    |
| General Purpose Computers       | \$ 341,719,350           | 2.77%          | \$ 34.86                   |
| <b>Total Support Investment</b> | <b>\$ 610,600,039</b>    | <b>4.95%</b>   | <b>\$ 62.29</b>            |
| Land                            | \$ 27,059,114            | 0.22%          | \$ 2.76                    |
| Building                        | \$ 170,680,568           | 1.38%          | \$ 17.41                   |
| Switching Equipment             | \$ 2,245,383,327         | 18.21%         | \$ 229.06                  |
| Circuit Equipment               | \$ 2,076,059,750         | 16.83%         | \$ 211.79                  |
| Buried Cable                    | \$ 3,402,317,469         | 27.59%         | \$ 347.08                  |
| Aerial Cable                    | \$ 151,950,951           | 1.23%          | \$ 15.50                   |
| Underground Cable               | \$ 1,819,710,423         | 14.75%         | \$ 185.64                  |
| Pole Investment                 | \$ 105,150,941           | 0.85%          | \$ 10.73                   |
| Conduit Investment              | \$ 1,724,531,696         | 13.98%         | \$ 175.93                  |
| <b>Total Plant Investment</b>   | <b>\$ 11,722,844,239</b> | <b>95.05%</b>  | <b>\$ 1,195.89</b>         |
| <b>Total Investment</b>         | <b>\$ 12,333,444,278</b> | <b>100.00%</b> | <b>\$ 1,258.18</b>         |

# Benchmark Cost Proxy Model Results

## Key Elements

### TEXAS Total State

| Expense Account                           | Capped Annual<br>Expense | Percentage     | Monthly Per<br>Line Cost |
|-------------------------------------------|--------------------------|----------------|--------------------------|
| <b><u>Plant Specific Expenses</u></b>     |                          |                |                          |
| Network Support                           | 17,527,017               | 0.78%          | \$ 0.15                  |
| General Support                           | 141,157,181              | 6.30%          | \$ 1.20                  |
| COE Switch                                | 39,994,535               | 1.78%          | \$ 0.34                  |
| Operator Systems                          | 1,058,679                | 0.05%          | \$ 0.01                  |
| COE Transmission                          | 27,172,757               | 1.21%          | \$ 0.23                  |
| Information IOT                           | 7,881,276                | 0.35%          | \$ 0.07                  |
| Cable & Wire                              | 324,543,885              | 14.48%         | \$ 2.76                  |
| <b>Total Plant Specific Expenses</b>      | <b>559,335,328</b>       | <b>24.96%</b>  | <b>\$ 4.76</b>           |
| <b><u>Plant Non-Specific Expenses</u></b> |                          |                |                          |
| Other PP&E                                | 3,528,930                | 0.16%          | \$ 0.03                  |
| Network Operations                        | 156,684,471              | 6.99%          | \$ 1.33                  |
| Depreciation/Amort                        | 906,270,208              | 40.45%         | \$ 7.70                  |
| Marketing                                 | 41,641,368               | 1.86%          | \$ 0.35                  |
| Customer Opr Service                      | 284,666,981              | 12.70%         | \$ 2.42                  |
| Executive & Planning                      | 16,115,445               | 0.72%          | \$ 0.14                  |
| General & Administration                  | 252,436,091              | 11.27%         | \$ 2.15                  |
| Prov Uncollectibles                       | 19,997,267               | 0.89%          | \$ 0.17                  |
| <b>Total Plant Non-Specific Expenses</b>  | <b>1,681,340,761</b>     | <b>75.04%</b>  | <b>\$ 14.29</b>          |
| <b>Total Operating Expense</b>            | <b>2,240,676,089</b>     | <b>100.00%</b> | <b>19.05</b>             |
| <b>Federal and State Taxes</b>            | <b>502,875,811</b>       |                | <b>\$ 4.28</b>           |
| <b>Return On Investment</b>               | <b>919,332,304</b>       |                | <b>\$ 7.82</b>           |
| <b>Monthly Cost per Line</b>              | <b>3,662,884,204</b>     |                | <b>\$ 31.14</b>          |
| <br>Gross Receipts Tax <sup>1</sup>       | <br>148,649,827          |                | <br>\$ 1.26              |

Application varies so much on a state by state basis, it is not included in the Monthly Cost.

#### Assumptions:

JobBase.csv

CPM.XLS

Use Run with Swb Only, Default Values

# Benchmark Cost Proxy Model Results

## Area Wide Summary Report

TEXAS

Total State

| <u>Investment Per Line Data</u> | <u>Uncapped Annual Amount</u> | <u>Capped<sup>1</sup> Annual Amount</u> |
|---------------------------------|-------------------------------|-----------------------------------------|
| Loop Investment                 | \$ 943                        | \$ 940                                  |
| Switch Investment               | \$ 229                        | \$ 229                                  |
| IOF Investment                  | \$ 7                          | \$ 7                                    |
| Other Investment                | \$ 83                         | \$ 82                                   |
| Total Investment                | \$ 1,261                      | \$ 1,258                                |
| <u>Expense Per Month Data</u>   |                               |                                         |
| Capital Cost                    | \$ 19.84                      | \$ 19.79                                |
| Operating Expense per Line      | \$ 11.34                      | \$ 11.34                                |
| Total Cost per Line             | \$ 31.18                      | \$ 31.14                                |
| Gross Receipts Tax <sup>2</sup> | \$ 1.27                       | \$ 1.26                                 |
| <u>Line Data</u>                |                               |                                         |
| Average Loop Length in Feet     | 16,590                        |                                         |
| Lines Above \$10K Loop Inv      | 7,298                         |                                         |
| Number of Households            | 4,965,236                     |                                         |
| Number of Residential Lines     | 6,966,228                     |                                         |
| Number of Single Business Lines | 336,675                       |                                         |
| Multiple Business Lines         | 2,499,679                     |                                         |
| Total CBG Lines Served          | 9,802,582                     |                                         |
| <u>Aggregate Support Data</u>   |                               |                                         |
| Support Over \$20 Benchmark     | \$ 1,469,121,677              | \$ 1,463,818,308                        |
| Support Over \$30 Benchmark     | \$ 577,974,606                | \$ 572,671,237                          |
| Support Over \$40 Benchmark     | \$ 301,784,354                | \$ 296,480,985                          |
| Support Over \$50 Benchmark     | \$ 182,302,862                | \$ 176,999,493                          |
| Support Over \$60 Benchmark     | \$ 111,543,252                | \$ 106,239,883                          |
| Support Over \$70 Benchmark     | \$ 73,010,828                 | \$ 67,707,459                           |
| Support Over \$80 Benchmark     | \$ 51,104,179                 | \$ 45,800,810                           |

<sup>1</sup> CBGs with Average Loop Investment per line over \$10,000 are capped at \$10,000

<sup>2</sup> Application varies so much on a state by state basis, it is not included in the Monthly Cost.

Assumptions:

SwbBase.csv

BCPM.XLS

Base Run with Swb Only, Default Values

## Benchmark Cost Proxy Model Results

### Plant Summary Report

TEXAS

Total State

Investment: Capped<sup>1</sup>

Lines Above \$10K Loop Investment = 7,298

| Density Group                             | 0 to 10 |       | 11 to 50 |       | 51 to 150 |       | 151 to 500 |       | 501 to 2000 |       | 2001 to 5000 |     | > 5001 |     | Total |     |
|-------------------------------------------|---------|-------|----------|-------|-----------|-------|------------|-------|-------------|-------|--------------|-----|--------|-----|-------|-----|
| <b><u>Investment Per Line Data</u></b>    |         |       |          |       |           |       |            |       |             |       |              |     |        |     |       |     |
| Total Capped Loop Investment <sup>2</sup> | \$      | 6,045 | \$       | 2,895 | \$        | 1,818 | \$         | 1,135 | \$          | 739   | \$           | 653 | \$     | 422 | \$    | 9   |
| Switch Investment                         | \$      | 308   | \$       | 254   | \$        | 240   | \$         | 233   | \$          | 227   | \$           | 224 | \$     | 223 | \$    | 2   |
| InterOffice Facilities                    | \$      | 9     | \$       | 8     | \$        | 7     | \$         | 7     | \$          | 7     | \$           | 7   | \$     | 7   | \$    |     |
| Other Investment                          | \$      | 385   | \$       | 769   | \$        | 170   | \$         | 329   | \$          | 216   | \$           | 64  | \$     | 58  | \$    |     |
| <b>Total Investment</b>                   | \$      | 6,747 | \$       | 3,926 | \$        | 2,235 | \$         | 1,704 | \$          | 1,188 | \$           | 947 | \$     | 710 | \$    | 1,2 |

### Cost Per Month Data

|                                                       |    |        |    |       |    |       |    |       |    |       |    |       |    |       |         |
|-------------------------------------------------------|----|--------|----|-------|----|-------|----|-------|----|-------|----|-------|----|-------|---------|
| Capital Cost                                          | \$ | 102.48 | \$ | 51.51 | \$ | 33.78 | \$ | 23.00 | \$ | 16.58 | \$ | 15.10 | \$ | 11.45 | \$ 19.  |
| Operating Expense per Line                            | \$ | 11.34  | \$ | 11.34 | \$ | 11.34 | \$ | 11.34 | \$ | 11.34 | \$ | 11.34 | \$ | 11.34 | \$ 11.  |
| Total Cost per Line<br>(Excluding Gross Receipts Tax) | \$ | 113.82 | \$ | 62.86 | \$ | 45.13 | \$ | 34.34 | \$ | 27.92 | \$ | 26.44 | \$ | 22.79 | \$ 31.1 |

### Line Data

|                                 |        |         |         |           |           |           |         |          |
|---------------------------------|--------|---------|---------|-----------|-----------|-----------|---------|----------|
| Loop Distribution Length        | 5,248  | 5,619   | 5,021   | 3,256     | 1,706     | 1,177     | 922     | 2,0      |
| Loop Feeder Length              | 79,922 | 37,600  | 22,130  | 15,294    | 12,485    | 11,350    | 9,685   | 14,51    |
| Total Loop Length               | 85,170 | 43,220  | 27,151  | 18,549    | 14,191    | 12,526    | 10,606  | 16,59    |
| Number of Households            | 45,500 | 273,809 | 301,988 | 508,158   | 2,000,981 | 1,516,569 | 318,231 | 4,965,23 |
| Number of Residential Lines     | 63,837 | 384,154 | 423,689 | 712,946   | 2,807,377 | 2,127,747 | 446,478 | 6,966,22 |
| Number of Single Business Lines | 1,061  | 9,455   | 18,661  | 45,390    | 133,693   | 99,028    | 29,388  | 336,67   |
| Multiple Business Lines         | 7,876  | 70,201  | 138,547 | 337,000   | 992,617   | 735,242   | 218,195 | 2,499,67 |
| <b>Total CBG Lines Served</b>   | 72,774 | 463,810 | 580,897 | 1,095,336 | 3,933,687 | 2,962,017 | 694,061 | 9,802,58 |